

INTRODUCTION

The U.S. Small Business Administration (“SBA”) is pleased to announce SBA Loan Sale #7 (“Sale #7”). The Asset Sales Program was launched in 1999 to sell SBA loans in an open and competitive manner. To learn more about the Asset Sales Program and its mission, please visit the following SBA websites:

www.sba.gov/assets/current_sale/sale7.html
www.sba.gov/assets/overview/index.html

PRELIMINARY SALE SCHEDULE 2002

Bidder Information Package available: October 1
Due Diligence Facility opens: October 7
Due Diligence Facility closes: December 2
Bid Date: December 3
Bid Award Announcement: On or before December 4
Closings: December 9-January 15
Servicing Transfer Date: By February 3
All dates are subject to change at the SBA’s sole discretion.

PORTFOLIO AND SBA PROGRAM DESCRIPTIONS

The Sale #7 portfolio includes performing, sub-performing and non-performing loans originated under the following SBA Programs: (i) Disaster Assistance; (ii) 7(a) Loan Guaranty; (iii) 7(a) Direct Loan; and (iv) Certified Development Company (also referred to as Section 502, 503 and 504 Loans).

The Disaster Assistance Program is the SBA’s largest direct loan program; it serves individuals and small businesses. Disaster assistance loans provide capital to homeowners, renters, businesses and non-profit organizations to rebuild and/or recover losses in the wake of physical disasters. Two types of disaster assistance loans are included in Sale #7: home and business. Home loans are available to homeowners and renters whose residential properties have incurred physical damage. Business loans are available to small businesses and non-profit organizations, and are intended to assist victims of physical damage and/or economic injury. Economic injury disaster assistance loans provide working capital to small businesses until normal operations can resume after a physical disaster. Economic injury disaster assistance loans may be made to borrowers whose small businesses do not suffer physical damage. All of the Sale #7 Disaster Assistance Program loans will be at least two years old as of the Bid Date. *There is no SBA guaranty available to the purchasers of these loans.*

Under the 7(a) Loan Guaranty Program, SBA-approved private-sector lenders originate loans to small businesses for various business purposes, and the SBA guarantees a portion of the loans against losses from default. The SBA guaranty percentage on 7(a) Guaranty loans in the Sale generally range from 75 percent to 80 percent, depending on the loan amount. The maximum guaranty amount was \$750,000. For all of the 7(a) Loan Guaranty Program loans included in Sale #7, the SBA has paid the originating lender the guaranty percentage **and therefore no further SBA guaranty is available to the purchasers of these loans.** The 7(a) Loan Guaranty Program loans in Sale #7 are currently serviced by the SBA or by the participating lender.

Under the 7(a) Direct Loan Program, the SBA originated loans directly to small business until 1995. These SBA loans typically have smaller balances than the 7(a) Loan Guaranty Program loans, whose balances are generally less than \$150,000. All of these loans are serviced by the SBA.

The Certified Development Company Program provides, in conjunction with a private-sector loan, long-term, fixed-rate financing to facilitate acquisition of major fixed assets such as real estate and equipment. A typical development company is a non-profit corporation created to assist the economic development of its community by originating these loans and engaging in other development activities. Generally, a project is financed as follows: 50 percent of the asset cost is provided by private-sector lender financing in a first-lien position, 40 percent by an additional loan in a second-lien position funded by an SBA-guaranteed debenture (the Development Company loan), and 10 percent equity is contributed by the small-business borrower. The SBA has two inactive Development Company Programs that have loans outstanding: the 502 and 503 Programs. The maximum SBA debenture for loans included in this Sale was \$1 million. The SBA has paid its guaranty of each debenture on all the Development Company loans included in Sale #7. These loans are serviced by the SBA or by the lender.

To obtain additional information concerning the SBA Loan Programs described above, please visit the following SBA websites:

www.sba.gov/disaster/
www.sba.gov/financing/fr7aloan.html
www.sba.gov/financing/frcdc504.html

PORTFOLIO INFORMATION

While the Sale #7 portfolio includes both secured and unsecured loans, this portfolio contains a larger proportion of small-balance, performing secured loans. Many of these secured loans were originated in the SBA’s Disaster Assistance Home Loan Program. Collateral for the secured loans includes business assets, residential or commercial real estate, machinery and equipment, and personal property. Virtually all of the loans in Sale #7 were made with recourse to the borrower. A significant number of the loans are supported by personal, third-party, or corporate guaranties. All of the loans in Sale #7 will be sold servicing-released. *There is no SBA guaranty available to the purchasers of these loans.*

BIDDING FEATURES

In an effort to attract all types of eligible bidders, the SBA will offer the loans in pools according to various combinations of the following possible criteria: performance status, collateral type, loan type, lien position, and geography. Prospective bidders will have the flexibility to submit bids on blocks of loan pools and/or individual loan-pool bids. These pools will be evaluated and awarded individually. Details on the bidding process will be provided in the Bidder Information Package.

SALE #7 PORTFOLIO SUMMARY				
(as of July 10, 2002)				
Numbers are approximate and subject to change.				
Aggregate Unpaid Principal Balance		\$675,556,688		
Number of Loans		28,897		
Average Loan Balance		\$23,378		
Weighted Average Remaining Maturity (months)		228		
Weighted Average Coupon		4.21%		
SBA Loan Program	Disaster Assistance Loans Home	Business	7(a) Loans	Development Company Loans
Aggregate Unpaid Principal Balance	\$300,405,570	\$318,638,600	\$29,095,060	\$27,417,458
Number of Loans	22,409	6,290	124	74
Average Loan Balance	\$13,405	\$50,657	\$234,637	\$370,506
Weighted Average Remaining Maturity (months)	248	223	120	188
Weighted Average Coupon	3.67%	4.05%	9.63%	6.90%
Geographic Distribution	CA: 26%	CA: 37%	MI: 12%	UT: 10%
(Percent of Unpaid Principal Balance)	NC: 17%	FL: 9%	FL: 10%	NC: 9%
	TX: 8%	NC: 8%	TX: 10%	OH: 7%
	PR: 7%	TX: 7%	CA: 6%	TX: 7%
	FL: 7%	GA: 4%	OH: 6%	IN: 7%
	IL: 3%	WA: 3%	NY: 5%	OK: 5%
	Other: 32%	Other: 32%	Other: 51%	Other: 55%
*Puerto Rico				

DUE DILIGENCE

Every effort has been made to provide requested information necessary to perform thorough due diligence on SBA’s Loan Sale #7. There are three levels of due diligence available to prospective bidders.

Level One: Bidder Information Package*

This package includes the Loan Information on CD-ROMs which contain the aggregate loan summary databases. They are free of charge.

Level Two: Limited Review Package

Includes all information noted in Level One as well as Due Diligence CD-ROMs which contain images of third-party reports. There is a non-refundable assessment of \$500 for this level.

Level Three: Full Review Package

Inclusive of all deliverables in Levels One and Two, this package also features high-speed remote access to off-site Asset Review Files. This is the highest level of loan information available to prospective bidders. There is a non-refundable assessment of \$1,000 for each remote-access port.

*For further clarity, features and benefits of each level are described in the Bidder Information Package.

BIDDER INFORMATION PACKAGE

On or about October 1, 2002, the Sale #7 Bidder Information Package will be available to qualified prospective bidders free of charge. The Bidder Information Package will contain detailed information concerning the bid process, Sale #7 terms and conditions, Loan Information CD-ROMs containing loan-level data, due diligence reports and general information. To order a Bidder Information Package, prospective bidders must submit a completed Confidentiality Agreement and Bidder Qualification Statement. Both documents are available on the following website:

www.sba.gov/assets/current_sale/sale7.html

or by calling the Sale #7 Investor Hotline at (888) 928-SBA7. The completed Confidentiality Agreement and Bidder Qualification Statement must be mailed to:

Havenwood Capital Markets, LLC
12329 Michaelsford Rd.
Hunt Valley, MD 21030
Attention: SBA Sale #7

TEAMING ARRANGEMENTS

A number of prospective bidders have expressed the desire to team with capital resource providers, asset managers and/or loan servicers. To accommodate this interest in teaming, the Havenwood Capital Consulting Team will maintain and make available to interested persons a list of prospective bidders or contractors interested in teaming. To include your name on this list, please contact the Havenwood Capital Consulting Team, as directed below. The list will be distributed to all qualified prospective bidders.

FURTHER INFORMATION

For further information concerning Sale #7, please visit the SBA Asset Sale website at:

www.sba.gov/assets/current_sale/sale7.html

The website provides information about current and past SBA Sales, general information about the SBA, and answers to frequently asked questions. If you have any questions concerning Sale #7, please contact the Havenwood Capital Consulting Team:

POINTS OF CONTACT FOR SBA SALE #7

Toll-Free Number: (888) 928-SBA7
Facsimile Number: (410) 628-7760
E-Mail Address: SBAsale7@iesg.com

DISCLAIMER

Neither the SBA, Insignia/ESG, Inc. (“Insignia”) Havenwood Capital Markets, LLC (“Havenwood Capital”), Whitestone Capital Group, Inc., Carter & Associates, P.C., nor any of their respective contractors, subcontractors, affiliates, directors, officers, employees, advisors or agents, make any representation or warranty, whether express, implied or arising by operation of law, as to the accuracy or completeness of the information contained in this announcement or made available to prospective bidders in connection with Sale #7 and no legal liability with respect thereto is assumed or may be implied. Insignia and Havenwood Capital are acting as transaction financial advisors to the SBA and have not audited or independently verified, and do not endorse, any portion of the financial information contained in this announcement or made available to prospective bidders in connection with Sale #7. *No person has been authorized to make any written or oral representation as to the accuracy or completeness of the information contained or the materials referred to in this announcement and, if any representation or warranty is given or made, it must not be relied upon.* The purchase of loans involves risks, and prospective bidders should, along with their advisors, undertake any investigation necessary to understand and evaluate the risks associated with such purchase. Except as otherwise explicitly stated in the Loan Sale Agreement (the form of which will be included in the Bidder Information Package), the loans are being sold “AS IS,” “WHERE IS,” “WITH ALL FAULTS” and without any recourse whatsoever.

This announcement is not an offer to sell or a solicitation for an offer to buy loans.



U.S. Small Business Administration

409 Third Street, SW
Washington, DC 20416

Announces

SBA Loan Sale #7



Bid Date: December 3, 2002

Unpaid Principal Balance: \$675 million (approximate)
Number of Loans: 28,897 (approximate)

Transaction Financial Advisors



Due Diligence Contractor



Asset Sales Program Financial Advisor

